## I. Introduction

While one of the goals of eZ-Audit is to automate the manual processes that the Document Receipt and Control Center (DRCC) currently performs for screening audits and financial statements, due to current business constraints, a few manual processes must continue concurrent with the implementation of eZ-Audit. The Data Management and Analysis (DMAD) team would like to bring many of the DRCC functions back in-house to increase accountability over the eZ-Audit screening operation and also satisfy the Inspector General concern for better oversight of the process.

We recommend organizing an eZ-Audit operations and a quality control function within DMAD to manage the operations of eZ-Audit and enhance program integrity. The goal of establishing a quality function is to increase the accuracy and reliability of the financial statement and audit data that Schools submit to us and provide evidential support to make any regulatory or business process changes to the operation. The goals of establishing these functions include:

- Continuously improve the eZ-Audit and submission operations including processes, technology and people
- Ensure that all financial statements and compliance audits submitted to FSA contain all required information decreasing the risk of financial/data error
- Improve the data integrity of submitted financial statements and audits and expedite the process by reviewing for completeness at submission
- Improve the quality of submitted financial statements and audits by conducting reviews of specific data elements within financial statements and compliance audits submitted to FSA
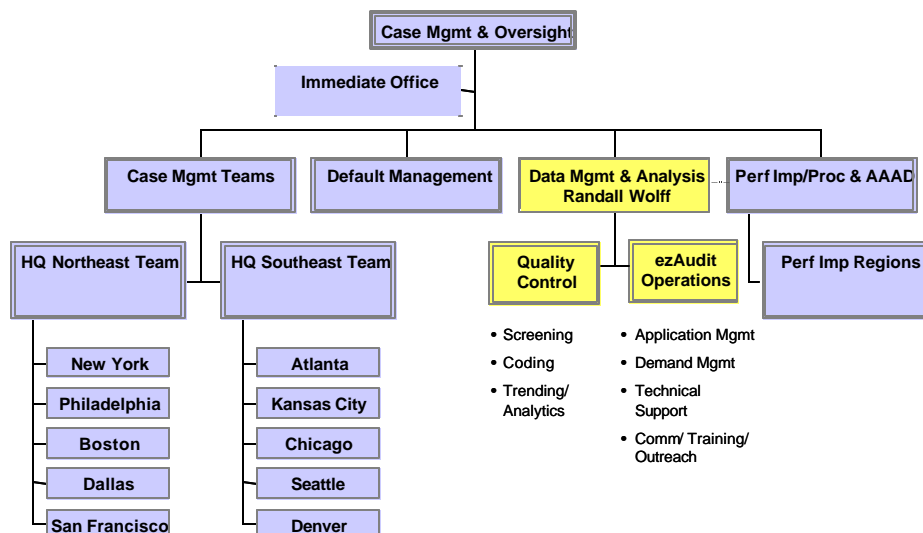
In the following sections, we describe the eZ-Audit operations and quality control functions; using historical data assumptions to build a staffing model; propose a staffing pattern along with desired knowledge, skills and abilities; and outline an approach for implementing the eZ-Audit Operations and Quality Control functions within DMAD.

II. Proposed eZ-Audit Operations Function

We recommend establishing an eZ-Audit Operations function within DMAD to manage the operations of eZ-Audit when it goes live in April 2003. The goal of eZ-Audit Operations is to assess the overall

process of receiving, screening, coding, flagging and approving financial statements and compliance audits and implement continuous improvements to the operations, increasing the level of confidence and integrity. Activities performed within eZ-Audit Operations include:

- ***Application management*** – establishing and managing the governance for eZ-Audit and managing policies, procedures, standards and guidelines for eZ-Audit
- ***Release management*** – reviewing, approving and prioritizing enhancements and establishing and managing eZ-Audit releases
- ***Contractor management*** – managing the eZ-Audit operations and development contractors
- ***Budget formulation and execution*** – developing and managing eZ-Audit operations budget and financials
- ***Performance management*** - establishing, measuring and reporting on eZ-Audit performance metrics

eZ-Audit operations will also provide a technical support capability. Technical support will work with FSA CIO to provide the expertise and knowledge to ensure that eZ-Audit runs smoothly in the production environment. Technical support will perform the following activities:

- ***Problem management*** – receiving, logging, tracking and resolving eZ-Audit problems and requests from customers
- ***Security*** - work with FSA CIO to advise on security policies and procedures
- ***Application maintenance*** - perform application updates based on user problems encountered and minor enhancements requested by users and conduct daily monitoring and maintenance of eZ-Audit
- ***Technical architecture*** - perform database management, conduct performance and capacity planning and conduct operating system administration and security management

By performing these activities, FSA has the capability to ensure that the potential business value derived from the eZ-Audit is fully realized.

III. Proposed Quality Control Function

By insourcing a large portion of the quality control and screening and coding functions, FSA can increase the confidence of the Inspector General and Case Management Teams in the accuracy and integrity of the data/reports produced as part of the process. DMAD is proposing to create a Quality function that would perform the following functions:

- **Screening –** checking the financial statement and audit for material completeness and credibility
- **Coding –** translating the findings within a compliance audit into FSA codes for data analysis
- **Trending/Analytics –** continuously reviewing and analyzing the outputs of eZ-Audit to determine trends, identify root causes of errors and propose solutions

Screening (financial statements and audits)

- Screening is the process of determining the "completeness" or "acceptability" of financial statement and audit submissions from a school. This is an initial check simply to ensure the electronic submission contains all of the required content and attachments.

As part of the eZ-Audit submission process, schools will use check boxes to verify that the audit and financial statement are complete according to their school type's requirements. Additionally, eZ-Audit will perform automated edit checks to verify that the submission has data in all of the appropriate fields. This verification is solely based on the school responding to questions about the documents (financial statements, compliance audits) they are attaching for submission. Consequently, the integrity of the electronic attachment is placed in the schools' hands. However, to further ensure integrity of submissions, the Screening function within the Quality Control group will assess the material completeness of both flagged and non-flagged submissions.

Flagged Financial Statements and Audits

The eZ-Audit system conducts an automatic screening and flags all financial statements and audits that meet preset conditions. For example, submissions that produce composite scores "in-the-zone" or changes in auditor are causes for a flagged submission. The DRCC currently performs this review, as do the Case Teams. Under eZ-Audit, the Case Teams will assume the responsibility of reviewing flagged financial statements and audits and resolving the issue. The eZ-Audit system facilitates this process by routing flagged financial statements and audits to the Co-Team Leads' queue who will then assign these statements to be worked by Case Team experts.

Non-Flagged Financial Statements and Audits

The screening function within the Quality Control group in DMAD plans to manually review each non-flagged submission to validate "completeness", ensuring the integrity of the electronic file attachments. This eliminates any potential technical errors, ensures that schools are responding accurately and makes certain that submissions are completely submitted (e.g., attachments include the required data). Non-flagged submissions that are deemed "incomplete" will require a resubmission from the school. Quality control will send a letter to the school and will monitor and review the resubmission to ensure it is complete.

As CMO develops confidence in the school submissions, the need for screening will fade away. The plan is to assess the screening results after a 6-month validation period to provide quantitative evidence that supports doing screening through sampling. If trends show any cause for incomplete submission, appropriate corrective actions will be taken toward increasing sampling rate.

DMAD will not staff individuals with sole responsibility for screening. At this time, DMAD leadership believes that the initial screening can easily be handled by the Coders and by the Audit and Financial Specialists within DMAD's Quality Control Group.

Coding (audits only)

Coding is the process of reviewing compliance audits for findings and identifying FSA codes associated with those findings. Currently there are over 300 codes; however FSA intends to consolidate these codes in the future, making for a much simpler process. As audits are screened, the process of coding will also take place. Coding is currently conducted by the DRCC. The implementation of eZ-Audit will not eliminate the need for manual coding, therefore we currently plan to continue using DRCC contractors for this function, with FSA staff conducting quality reviews.

Trending/Analytics

With the implementation of eZ-Audit, Quality Control serves as the focal point for conducting trend analysis to determine common errors and their causes and for identifying the process, people and

technology enhancements required to resolve the errors. The Quality Control Team integrates with the eZ-Audit Operations team to identify and prioritize enhancements, representing FSA and CMO to improve the overall process.

While Quality Control will not manually review flagged submissions (as this is a function of the Case Teams), they will monitor the percentage of submissions that are in the queue and get involved if the percentage in the queue is above a preset threshold. This involvement includes working with the Case Teams to determine the root cause of incomplete submissions and proposing recommendations to improve the submission process, eliminating these errors in the future. Quality Control will randomly sample and perform an "advanced" review of non-flagged submissions to ensure program integrity. This review goes beyond screening for completeness (handled by the coders) and ensures that the submission process and eZ-Audit system are producing data that provides an accurate depiction of each school's financial status. Trending will also include determining the appropriate sample sizes for quality control and supporting institutional assessments.

IV. Staffing Levels and Assumptions

The Quality Control and eZ-Audit Operations functions will reside in the Data Management and Analysis organization. These functions will report to Randy Wolff, the manager of the Data Management and Analysis organization. The Quality Control and eZ-Audit Operations functions will be located in Washington, DC. Locating these functions centrally enables consistency of financial statement and audit reviews. Based on the objectives outlined and assumptions derived from historical workload data, we propose the following positions and staffing levels:

eZ-Audit Operations
- 1 eZ-Audit Operations Manager (GS 11-12)
- 1 eZ-Audit Technical Support (GS 11-12)
- 1 eZ-Audit Security Officer

Financial Statement Quality Control and Screening
- 1 Certified Public Accountant (GS 13-14)
- 1 Senior Financial Analyst (GS 13-14)
- 1 Financial Analyst (GS 13)

Audit Quality Control, Screening and Coding
- 2 Senior Audit Resolution Specialists (GS 13-14)
- 2 Management and Program Analysts – Audit Reviewers (GS 7-9)

See appendix A for detailed role descriptions and associated knowledge, skills and abilities.

The following assumptions were used to determine the staffing level:
Quality control reviews of financial statements and audits:
- 100% of flagged reports will be reviewed by Case Teams
- Initially, 100% of non-flagged financial statements and compliance audits will be reviewed. Ultimately, we hope to move to random sample reviews (about 10% or approximately 600 non-flagged financial statements and 600 compliance audits.)
- Quality control reviews of financial statements average approximately 10-15 minutes

- Quality control reviews of compliance audits average approximately:
  - Audits with 5 findings or less (FY2001 ~ 6050 audits) ~ 15 minutes per audit
  - Audits with 5-10 findings (FY2001 ~ 500 audits) ~ 25 minutes per audit
  - Statewides (FY2001 ~ 50 audits) ~ up to 3 hours

Screening financial statements:
- Current workload includes processing of 6500 financial statements per year
- Every financial statement will be screened for completeness
- Screening reviews average approximately 30 minutes per financial statement

Coding audits:
- Current workload includes processing of 6500 compliance audits per year
- Every compliance audit will be screened for completeness
- Screening and coding of audits average approximately:
  - Audits with 5 findings or less (FY2001 ~ 6050 audits) ~ 15 minutes per audit
  - Audits with 5-10 findings (FY2001 ~ 500 audits) ~ 25 minutes per audit
  - Statewides (FY2001 ~ 50 audits) ~ up to 3 hours (statewides)

V. Implementation approach

We are proposing to implement the eZ-Audit Operations and Quality Control functions concurrent with the implementation of eZ-Audit in April 2003. Several activities will to take place prior to implementation of eZ-Audit to ensure the eZ-Audit Operations and Quality Control functions are operating effectively including staffing, knowledge transfer, training and communication.

Staffing
Please see attached staffing matrix for details regarding grade levels and proposed individuals to fill staffing roles.

Knowledge Transfer
Significant knowledge transfer needs to take place between the DRCC and the incumbent for these positions. Thus, we recommend assigning and/or hiring the individuals a few months prior to implementation of electronic submission process (eZ-Audit). A potential knowledge sharing activity could be "shadowing", having the new hires shadow the DRCC staff to get on-the-job training.

Training
It is assumed that individuals that fill the senior positions possess the knowledge, skills and abilities (KSAs) required to effectively perform the function on Day 1.

Communication
It is important that Case Management staff, specifically Case Management teams in the regions, is made aware of and understands the objectives of the eZ-Audit Operations and Quality Control functions. Communication should be geared at educating on the tasks performed and the outputs provided by these functions. The overall goal of this communication is to increase the level of confidence that Case Management teams have in the financial statement and audit submission and scoring process.

Additional communication should be delivered to the Inspector General to respond to previous inquiries as to the Program Integrity of data submitted by Schools.

VI. Summary

This proposal recommends the creation of an eZ-Audit Operations and a Quality Control function within the Data Management and Analysis organization. With the implementation of the electronic submission process in April 2003, Data Management and Analysis identified the potential to in-source work currently performed the DRCC. By implementing this recommendation, FSA can increase the quality of financial statement and compliance audits submitted annually and substantially improve program integrity. Additionally, FSA can reduce the cost of operations through insourcing work currently performed by the DRCC.

Appendix A – Role descriptions and KSAs

eZ-Audit Operations

eZ-Audit Operations Manager – GS-343-11/12
Responsibilities
- Establish and manage the governance for eZ-Audit
- Manage the policies, procedures, standards and guidelines for eZ-Audit (coordinate with Performance Improvement and Procedures)
- Review, approve and prioritize enhancements and establishing and managing eZ-Audit releases
- Manage the eZ-Audit operations and development contractors
- Develop and manage eZ-Audit operations budget and financials
- Establish, measure and report on eZ-Audit performance metrics
- Serve as focal point to interface with eZ-Audit development team to prioritize system enhancements
- Work with development team to test enhancements and ensure that application and enhancements achieve desired outcomes
- Produce reports (e.g., % of audits flagged) for management

Knowledge, Skills and Abilities
- Information technology skills
- Understanding of the financial statement and audit submission process
- Problem solving ability
- Contract management skills
- Understand of regulations impacting eZ-Audit operations

eZ-Audit Technical Support – GS-334- 11/12
Responsibilities
- Receive, log, track and resolve eZ-Audit technical problems and requests
- Coordinate with FSA CIO on security policies and procedures
- Perform application updates based on user problems encountered and minor enhancements requested by users
- Conduct daily monitoring and maintenance of eZ-Audit
- Perform database management
- Conduct performance and capacity planning
- Conduct operating system administration and security management

Knowledge, Skills and Abilities
- Technical skills
- Database management skills
- Problem solving ability

Quality Control

Certified Public Accountant (CPA) – GS 13-14
Responsibilities
- Develop QC procedures, templates for review of financial statements
- Conduct reviews of financial statements submitted by institutions participating in Title IV programs
- Evaluate whether financial statements meet 34 CFR 668 financial responsibility standards and other general accounting principles
- Interface with Case Teams and Case Team Co-Leads regarding financial statements
- Review trends and develop recommendations for system and process improvements

Knowledge, Skills and Abilities
- CPA qualified
- Understanding and ability to apply General Accepted Accounting Principles (GAAP), General Accepted Accounting Standards (GAAS), General Accepted Government Accounting Standards (GAGAS) and OMB Circular A-133 to manage review of financial statements
- Understanding of financial responsibility standards prescribed under CFR 600/668 for the Department of Education
- Communication skills
- Problem solving and analytical skills
- Ability to supervise and provide guidance to team members

Senior Financial Analyst – GS-13-14
Responsibilities
- Review financial statements for completeness
- Sends letters to schools with incomplete submissions
- Develop QC procedures, templates for review of financial statements
- Prepare management reports
- Interface with Case Teams and Case Team Co-Leads regarding financial statements
- Review trends and develop recommendations for system and process improvements

Knowledge, Skills and Abilities
- CPA qualified
- Understanding and ability to apply General Accepted Accounting Principles (GAAP), General Accepted Accounting Standards (GAAS), General Accepted Government Accounting Standards (GAGAS) and OMB Circular A-133 to manage review of financial statements
- Understanding of financial responsibility standards prescribed under CFR 600/668 for the Department of Education
- Communication skills
- Problem solving and analytical skills
- Ability to supervise and provide guidance to team members

Senior Audit Specialist – GS-13-14

Responsibilities

- Inform Accountant and Senior Financial Analyst of incomplete submissions and
- Develop QC procedures, templates for review of compliance audits
- Apply knowledge of GAAP, GAAS, GAGAS and 34 CFR to manage the processing of compliance audit reports
- Examine audits to determine accuracy, validity and compliance with U.S. Department of Education policies and OMB Circular A-133
- Interface with Case Teams and Case Team Co-Leads regarding compliance audits
- Review trends and develop recommendations for system and process improvements

Knowledge, Skills and Abilities

- Understanding and ability to apply General Accepted Accounting Principles (GAAP), General Accepted Accounting Standards (GAAS), General Accepted Government Accounting Standards (GAGAS) and CFR 34 to manage processing of compliance audits
- Applies Department of Education Audit Guide and OMB Circular A-133 in audit review process
- Communication skills
- Problem solving and analytical skills
- Ability to supervise and provide guidance to team members

Coders - Financial Analyst – GS-7 – 9

Responsibilities

- Review audits for completeness
- Code compliance audits
- Sends letters to schools with incomplete submissions
- Inform Senior Audit Specialists of incomplete submissions and recommend actions

Knowledge, Skills and Abilities

- Basic accounting skills (ability to understand audits)
- Understanding of FSA audit coding methodology
- Understanding of audit submission, coding and review process and regulations
- Problem solving and analytical skills
- Communication skills